United Nations A/C.5/57/10

General Assembly

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Fifty-seventh session
Fifth Committee
Agenda item 17 (j)
Appointments to fill vacancies in subsidiary organs and other appointments

Appointment of a member of the United Nations Staff Pension Committee

Note by the Secretary-General

1. As indicated in document A/57/111, the General Assembly will be required, during its current session, to appoint a person to fill the remainder of the term of office of Victor Vis'yakh, which expires on 31 December 2003, in the United Nations Staff Pension Committee.

2. The following person has been nominated by his Government for appointment:

Andrei Vitalievitch Kovalenko (Russian Federation).

3. The candidate's curriculum vitae follows.

02-65625 (E) 241002

Andrei Vitalievitch Kovalenko

Born 4 October 1960, Moscow

Education

1977-1982	Master of Arts, International Economics, Moscow State Institute of International Relations (University)
1987	Professional training at the Diplomatic Academy, Ministry of Foreign Affairs, Union of Soviet Socialist Republics
2000-present	Studies at the International Institute of Management, Moscow

Foreign languages

English and French

Professional experience

Current position	Ministry of Foreign Affairs of the Russian Federation, International Organizations Department: Counsellor, budget, finance and human resources issues of international organizations
1996-2000	Permanent Mission of the Russian Federation to the United Nations Office at Geneva: First Secretary, representing the Russian Government at sessions of the governing bodies of international organizations based at Geneva (International Labour Organization, International Telecommunication Union, World Health Organization, World Intellectual Property Organization, World Meteorological Organization) in respect of budget, finance and human resources issues
1994-1996	Ministry of Foreign Affairs of the Russian Federation, International Organizations Department: Second Secretary, economic affairs, administrative and budgetary issues of international organizations of the United Nations system
1990-1994	Soviet, subsequently Russian Embassy in Senegal: Third and Second Secretary, economic affairs
1987-1990	Ministry of Foreign Affairs of the Union of Soviet Socialist Republics, African Department: Attaché, technical cooperation and external debt issues
1982-1987	Soviet Embassy in Guinea: Technical Cooperation Officer

United Nations and international organizations

1998-2000	Representing the Council of the International Telecommunication Union at the Board and Standing Committee of the United Nations Joint Staff Pension Fund
2000-present	Member of the Coordinating Committee on Remuneration (coordinated organizations: North Atlantic Treaty

	Organization, Council of Europe, Western European Union, Organisation for Economic Cooperation and Development, European Space Agency, European Centre for Medium-Range Weather Forecasts, etc.)
2001-present	Alternate member of the Budget Committee of the Council of Europe
2001-present	Member of the Advisory Group (on administrative and budgetary issues) of the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization

United Nations A/C.5/57/11

General Assembly

Distr.: General
4 October 2002

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Fifty-seventh session
Fifth Committee
Agenda item 121
United Nations pension system

Investments of the United Nations Joint Staff Pension Fund

Report of the Secretary-General

I. Introduction

1. The General Assembly decided in 1992 to take up pension matters biennially, in even-numbered years. The current report on the investments of the United Nations Joint Staff Pension Fund (UNJSPF) covers the period from 1 April 2000 to 31 March 2002. The investment of the assets of the Fund is the fiduciary responsibility of the Secretary-General of the United Nations, who acts in consultation with the Investments Committee, taking into account the observations on broad policy of the United Nations Joint Staff Pension Board (UNJSPB) and the General Assembly. The Investments Committee provides advice to the Secretary-General on investment strategy and reviews the investment portfolio at its quarterly meetings. The representative of the Secretary-General for the investments of UNJSPF has been delegated the responsibility for the management and administration of the investment of the assets of the Fund by the Secretary-General and is assisted by the staff of the Investment Management Service (IMS). All investments must meet the criteria of **safety, profitability, liquidity** and **convertibility**. These criteria have been endorsed by the General Assembly.

2. The report describes the economic and investment conditions that prevailed in the reporting period ended 31 March 2002 and provides information on the investment returns, diversification of the investments and the development-related investment of the Fund. The statistical data are based on the audited financial statements for the calendar years 2000 and 2001 and on the unaudited appraisals ended 31 March 2002. In order to provide the General Assembly with timely information available, some data have been updated to 30 June 2002.

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II. Economic review

3. This section reviews the economic and investment environment which prevailed during the two-year period ended 31 March 2002. Economic activity and financial markets within and across countries tend to follow cyclical trends, which can be either synchronized or unsynchronized depending on the economic and financial factors existing at any given time. Through diversification of the assets of the Fund by currency, by geography and by type of investment, the Fund strives to benefit from the differences between economies and markets in order to achieve better and more stable investment returns than would otherwise be obtained. The management of the assets of the Fund has followed a relatively cautious and defensive strategy of minimizing risk in order to obtain overall positive returns and to preserve the principal of the Fund over a long period.

4. The pace of global economic growth peaked at the beginning of the calendar year 2000. Excess capacity had been created in several segments of the global economy, especially in the industries related to the telecommunications sector. Structural adjustments in such industries initiated a period of decelerating economic growth and deteriorating corporate earnings. However, consumer spending in the United States of America acted as a solitary buffer for the slowdown of the global economy. Despite the slowdown, resilient consumer spending in the United States and the upward trend of commodity prices created a concern that inflationary pressures were building up in the economy. This environment forced central banks to keep their monetary policies tight towards the end of the year 2000. However, inflation did not materialize in major economies. As low inflation targets were achieved and the slowdown in economic growth became more visible, these policies were reversed at the beginning of 2001. The pace of easing monetary policy was unprecedented and liquidity was supplied worldwide, especially after the events of 11 September 2001. During the biennium, the United States dollar remained strong against major currencies, which had a major impact on the investment environment during the biennium. It is noteworthy that several developing economies, such as the Republic of Korea and Mexico, managed to achieve solid economic growth in the difficult global economic situation described above.

III. Investment returns

A. Total return

5. The market value of the Fund's assets decreased to US$ 21,789 million on 31 March 2002 from $26,056 million on 31 March 2000, a decline of $4,267 million or 16.4 per cent. The total investment return for the year to 31 March 2001 was negative 15.0 per cent and positive 0.7 per cent for the year to 31 March 2002. After adjustment by the United States consumer price index (CPI), these returns represent negative real rates of return of 17.4 per cent and negative 0.8 per cent, respectively. The total annualized return for the biennium was therefore negative 7.8 per cent.

6. During the biennium, the main negative contribution to performance came from equities, reflecting a broad correction in global equity markets since the peak in March 2000. Stock selection across the board had a positive contribution to total return. The negative performance by equities was partially offset by positive

performance in all other asset classes. The performance of the real estate portfolio was particularly strong, followed by short-term investments and bonds. The high level of short-term holdings in particular helped to preserve the value of the Fund during the period of high market volatility. The Fund was negatively affected by the persistent weakness of all major currencies against the United States dollar, including the euro, the yen and the pound sterling.

7. The rates of return shown in the present report have been calculated by an outside consultant, using a generally accepted method that was fully explained in the report on the management of the investments submitted to the United Nations Joint Staff Pension Board at its thirty-fourth session.[1] The calculation includes actual income received from dividends and interest as well as realized capital gains and losses. It also takes into account changes in the market value of the investments and the timing of cash flows.

8. Table 1 shows the contribution of each asset class to the total return for the years 1999 to 2002.

Table 1
Total Fund: total return based on market value for the years ending 31 March
(Percentage)

	1999	*2000*	*2001*	*2002*
Equities				
United States equities	18.4	17.5	-17.2	2.8
Equities outside United States	9.7	39.9	-30.3	-6.1
Total equities	**13.9**	**28.5**	**-24.2**	**-1.3**
Bonds				
United States dollar bonds	4.8	3.1	13.0	4.9
Non-United States dollar bonds	9.0	-5.7	-4.2	2.1
Total bonds	**6.5**	**-2.5**	**2.0**	**3.1**
Real estate	4.8	11.7	11.3	8.4
Short-term investments	9.9	5.0	4.2	3.5
Total Fund	**11.3**	**18.0**	**-15.0**	**0.7**

9. The biennium ended 31 March 2002 was characterized by a sharp negative reversal of the equity portfolio performance from the previous biennium. The equity portfolio had a negative return of 24.2 per cent and negative 1.3 per cent for the year ended 31 March 2001 and 31 March 2002, respectively. The weakness in the equity portfolio must be seen in the context of abnormally high double-digit returns achieved in the 5-year period of 1996-2000, preceding the period of 2001-2002. Specifically, during the period of 1996-2000, equities had total return of 151 per cent, or 20.6 per cent compounded annually. United States equities outperformed equities outside the United States in 1999, 2001 and 2002 while United States

[1] JSPB/34/R.10.

dollar-denominated bonds outperformed bonds denominated in currencies other than the United States dollar in 2000, 2001 and 2002.

10. Short-term results are largely influenced by the volatility of securities markets and are difficult to predict and impossible to control. The management of the Fund is geared towards maintaining a careful balance between the expectations of risk and reward over the medium to long term, rather than taking the risk inherent in seeking very high short-term returns. These considerations are even more pertinent now, taking into account the wide fluctuations in the financial markets and currencies during the period under review.

11. Global economic growth continued to deteriorate in 2002, although the manufacturing sector in the United States showed some strength during the first half of 2002. Surplus capacity, high levels of debt, political instability in some parts of the world and the widening of the Argentine crisis to other Latin American countries were some of the major events which impacted the economies and the financial markets during 2002. Stock market weakness and relatively weaker economic data resulted in dramatic changes which could trigger further interest rate cuts by central banks.

12. Between April and the end of August 2002, major financial markets continued to decline, some reaching their lowest level in seven years. The bond markets rallied during the April to August period and continued to offer good returns in the United States and Europe as short-term interest rates continued to decline. In the currency market, the United States dollar reversed its strength and started to weaken against major currencies, particularly the euro, the pound sterling and the yen. Currency movements and the weak equity markets have negatively impacted the value of the Fund since the end of the biennium.

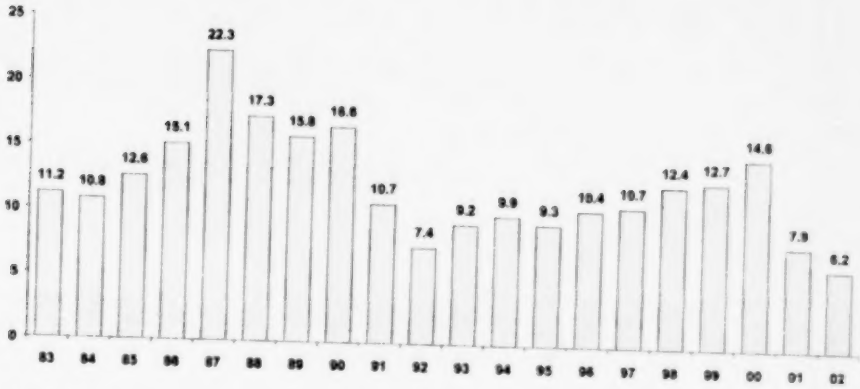
13. The market value of the Fund as at 31 August 2002 was $20.8 billion, compared to $21.8 billion as at 31 March 2002, a decline of $1 billion or 4.6 per cent. The equity portion of the portfolio continued to be the major contributor to decline in the total Fund. Selective selling was effected during the period and the proceeds were redeployed in short-term and bond investments. The asset allocation as at 31 August 2002 was 50.7 per cent equities, 32.9 per cent bonds, 5.9 per cent real estate and 10.4 per cent short-term investments.

B. Long-term rates of return

14. The strategy of UNJSPF requires a focus on returns that cover periods longer than one year. Figure 1 shows the moving cumulative annualized rates of return for selected five-year periods.

Figure I

Total Fund: moving annualized rate of return for five-year periods ending 31 March



During the periods shown, the highest total annualized return of 22.3 per cent occurred during the five-year period 1983-1987, owing mostly to the strong equity market performance during that period. The Fund's three highest returns were also provided during that period. While the five-year moving cumulative annualized rate of return has been lower than at its peak in 1987, in the 20 years since 1983 the Fund has experienced only one year of negative returns, as is shown in table 2. For the past three years, 2000, 2001 and 2002, the returns were positive 18.0 per cent, negative 15.0 per cent and positive 0.7 per cent respectively. The cumulative annualized total returns for the last 5, 10, 15, 20 and 25 years were approximately 6.2 per cent, 8.5 per cent, 8.1 per cent, 11.5 per cent and 10.7 per cent respectively. The cumulative annualized total rate of return over the 42-year period for which data are available was 8.5 per cent, representing a yearly real rate of return of 3.9 per cent after adjustment by the United States CPI. Detailed information on the Fund's return over the past 42 years is given in tables 2 and 3.

Table 2

Total Fund: annual total rate of return, percentages based on market value, 31 March 1962-31 March 2002

	Equities				*Bonds*							
Year	*United States*	*Outside United States*	*Total*	*MSCI World Index*[a]	*United States*	*Outside United States*	*Total*[b]	*SBGWBI Bond Index*[c]	*Real estate*	*Short term*	*Total Fund*	*Year*
1961	18.8	37.8	19.4	-		-	8.0	-	-	-	12.7	1961
1962	12.37	0.87	11.65	-	-	-	3.91	-	-	-	6.61	1962
1963	(0.60)	(16.34)	(0.59)	-	-	-	5.49	-	-	-	4.07	1963
1964	18.18	7.48	17.45	-	-	-	2.12	-	-	-	8.24	1964
1965	10.89	8.30	10.44	-	-	-	4.41	-	-	-	6.98	1965
1966	4.53	3.22	4.31	-	-	-	(2.14)	-	-	-	0.66	1966
1967	11.76	(2.32)	8.98	-	-	-	3.97	-	-	-	7.91	1967
1968	2.86	28.30	7.46	-	-	-	(4.89)	-	-	-	1.60	1968
1969	13.35	20.07	14.64	-	-	-	2.66	-	-	-	9.09	1969
1970	(5.10)	(2.18)	(4.49)	-	-	-	1.41	-	-	-	(1.75)	1970
1971	13.94	3.31	11.46	9.28	-	-	14.10	-	-	8.73	13.53	1971
1972	14.13	34.30	18.33	16.92	-	-	9.41	-	11.58	7.15	16.98	1972
1973	5.85	20.77	9.49	13.47	-	-	7.40	-	4.78	5.92	8.55	1973
1974	(16.70)	(21.48)	(18.10)	(16.40)	-	-	1.92	-	10.18	10.70	(13.55)	1974
1975	(11.20)	11.60	(5.16)	(6.09)	6.20	14.63	6.55	-	(1.03)	12.35	0.18	1975
1976	16.37	10.76	14.58	15.59	11.22	1.91	10.02	-	5.16	7.70	13.16	1976
1977	(8.25)	(3.75)	(6.62)	(0.95)	10.40	15.20	11.06	-	3.70	5.20	(0.26)	1977
1978	(5.60)	20.31	4.16	6.11	5.62	24.39	8.72	-	8.25	7.67	6.12	1978
1979	22.36	21.67	22.07	21.27	4.70	12.50	6.63	8.04	16.86	8.56	15.07	1979
1980	10.89	(10.31)	1.08	(0.18)	(9.53)	(4.64)	(7.63)	(13.16)	17.42	11.75	(0.39)	1980
1981	43.19	39.60	41.45	34.80	14.99	9.45	12.51	20.38	14.71	15.76	26.60	1981
1982	(17.88)	(19.64)	(18.77)	(15.00)	11.08	0.40	6.20	(0.69)	17.51	17.95	(7.85)	1982
1983	40.91	23.60	33.55	31.60	32.53	14.54	24.89	20.54	7.07	12.76	27.05	1983
1984	5.08	32.46	15.66	17.30	5.46	12.42	8.67	8.20	13.33	13.07	13.01	1984
1985	20.75	(6.82)	9.54	7.20	17.86	(8.22)	4.53	5.50	13.47	3.62	8.09	1985
1986	34.95	58.48	43.44	56.02	54.30	50.33	51.21	48.70	10.75	6.95	41.52	1986
1987	21.63	43.88	30.01	43.22	9.14	32.63	22.59	17.42	12.67	11.97	24.69	1987
1988	(12.18)	2.15	(4.74)	5.81	3.26	20.24	12.65	11.42	9.19	7.67	3.10	1988

Year	Equities				Bonds				Real estate	Short term	Total Fund	Year
	United States	Outside United States	Total	MSCI World Index[a]	United States	Outside United States	Total[b]	SBGWBI Bond Index[c]				
1989	13.20	10.00	11.30	13.56	2.10	(5.50)	(2.40)	0.36	8.20	10.40	5.90	1989
1990	21.54	13.21	16.57	(2.30)	10.47	2.93	6.20	3.12	12.31	9.72	11.56	1990
1991	8.9	1.2	4.5	3.2	12.5	17.4	15.0	16.2	5.1	13.1	8.9	1991
1992	11.3	0.1	4.9	(0.5)	13.7	14.0	14.0	14.0	(4.1)	6.5	7.6	1992
1993	17.3	6.7	11.2	12.7	15.9	17.7	16.9	19.0	(6.6)	7.5	11.6	1993
1994	(2.7)	24.4	12.4	14.0	3.4	10.1	7.7	6.8	0.5	3.0	9.7	1994
1995	11.1	6.5	8.1	9.8	2.9	18.6	12.9	12.1	0.0	5.0	8.7	1995
1996	30.2	15.1	20.5	20.6	8.0	3.3	5.1	5.3	10.4	4.1	14.6	1996
1997	18.9	7.2	11.6	9.8	6.2	2.5	3.6	1.2	8.6	4.4	8.9	1997
1998	45.4	15.4	27.3	32.4	10.6	4.3	7.0	5.4	18.9	7.0	20.4	1998
1999	18.4	9.7	13.9	13.0	4.8	9.0	6.5	10.0	4.8	9.9	11.3	1999
2000	17.5	39.9	28.5	21.6	3.1	(5.7)	(2.5)	(0.3)	11.7	3.0	18.0	2000
2001	(17.2)	(30.3)	(24.2)	(25.1)	13.0	(4.2)	2.0	(1.7)	11.3	4.2	(15.0)	2001
2002	2.8	(6.1)	(1.3)	(4.2)	4.9	2.1	3.1	0.5	8.4	3.5	0.7	2002

[a] MSCI — Morgan Stanley Capital International Index consists of 22 major equity markets.
[b] The proportion of bonds held outside the United States was not significant prior to 1975.
[c] SBWGBI — Salomon Brothers World Government Bond Index consists of 18 major bond markets.

Table 3

Total Fund: annual rates of return based on market value, percentages for selected periods ending 31 March

	2000	*2001*	*2002*	*5 years through 2002*	*10 years through 2002*	*15 years through 2002*	*20 years through 2002*	*25 years through 2002*	*42 years through 2002*[a]
United States equities	17.5	(17.2)	2.8	11.8	13.1	11.3	14.3	13.1	9.9
Equities outside United States	39.9	(30.3)	(6.1)	2.7	7.1	6.6	11.7	10.9	9.4
Total equities	**28.5**	**(24.2)**	**(1.3)**	**6.9**	**9.7**	**8.6**	**12.7**	**11.7**	**9.2**
United States bonds	3.1	13.0	4.9	7.2	7.3	7.6	11.2	9.9	7.8
Bonds outside United States[b]	(5.7)	(4.2)	2.1	1.0	5.5	6.8	9.6	9.3	8.1
Total bonds	**(2.5)**	**2.0**	**3.1**	**3.1**	**6.1**	**7.0**	**10.4**	**9.3**	**7.5**
Real estate related[c]	11.7	11.3	8.4	11.0	6.6	6.4	7.6	9.0	-
Short-term investments	3.0	4.2	3.5	6.7	5.8	6.6	7.3	8.3	-
Total Fund in United States dollars	18.0	(15.0)	0.7	6.2	8.5	8.1	11.5	10.7	8.5
Inflation-adjusted return (based on United States CPI)	13.8	(17.4)	(0.8)	3.8	5.9	4.8	8.0	5.9	3.9

[a] The Fund's performance has been calculated for the past 42 years.

[b] The proportion of bonds held outside the United States was not significant prior to 1975.

[c] No real estate investments were held prior to 1972.

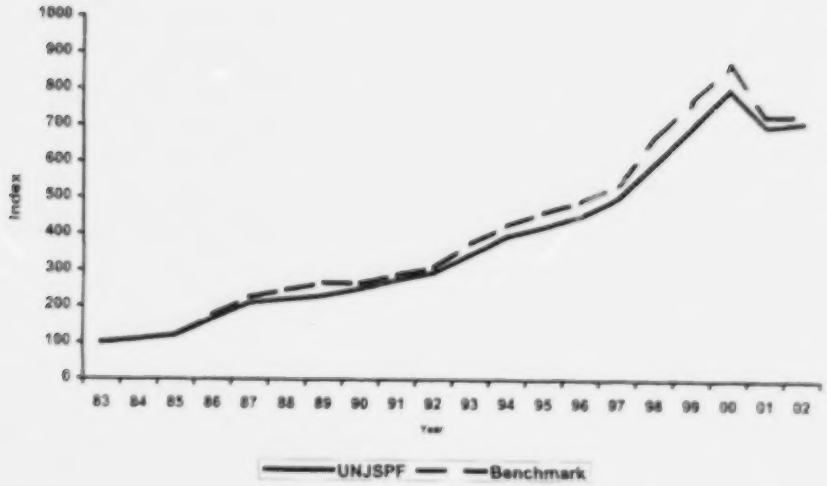
15. Over the long term, equities have continued to outperform other asset classes. This trend provides the rationale for a still relatively large equity weighting in the portfolio. Allocation to equities was reduced from 69 per cent as at 1 April 2001 to 57 per cent as at 31 March 2002 (the lowest level was in September 2001 at 54.7 per cent) as a response to sharp decline in the markets. Within the equity portfolio, United States equities have performed marginally better than equities outside the United States over the 42-year period taken as a whole. During the same period, United States equities outperformed equities outside the United States 27 times. Within the bond portfolio, the performance has been mixed. Over the 42-year period taken as whole, bonds denominated in currencies other than the United States dollar performed better than United States dollar-denominated bonds on an annualized basis. During that period, bonds denominated in currencies other than the United States dollar outperformed 23 times. Real estate-related investments, which have been included in the portfolio since 1972, have provided stable returns for the 30 years in which the total return has been calculated. During that period real estate has had only three years of negative return.

C. Comparisons of investment returns

16. During the year ended 31 March 2001, the Fund outperformed its benchmark, which is composed of 60 per cent Morgan Stanley Capital International World Index (MSCIWI) and 40 per cent Salomon Brothers World Government Bond Index (SBWGBI), with a return of negative 15.0 per cent versus negative 16.3 per cent for the benchmark. For the year ended 31 March 2002, the Fund also outperformed the benchmark, with a return of 0.7 per cent versus negative 2.0 per cent. Over the past 20 years, the benchmark had a total return of 11.7 per cent compared to an annualized return of 11.5 per cent achieved by the total Fund. Figure 2 shows the total Fund's cumulative return versus the benchmark. The main reason for the Fund's slight underperformance was low weighting in equities in the earlier years of the period. The benchmark was introduced in January 1997 and therefore this is a retroactive analysis.

17. Over the past 20 years, the MSCI World Index had a total annualized return of 12.7 per cent, which was in line with an annualized return of 12.7 per cent achieved by the Fund's total equities. During the same period, the SBWGBI had an annualized return of 9.7 per cent, compared to an annualized return of 10.4 per cent achieved by the Fund's bond portfolio.

Figure 2
Total Fund: cumulative returns versus the benchmark
March 1983-March 2002

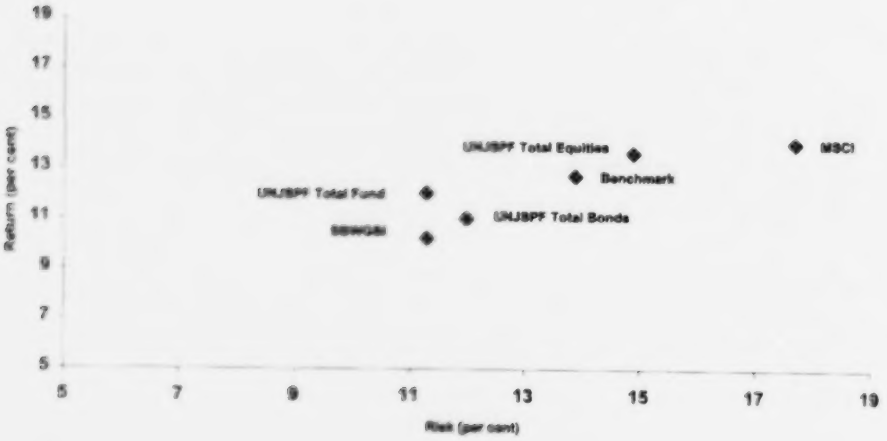


D. Risk return profile of the Fund based on average annual returns for 1980-2002

18. The most widely accepted definition of risk is the variability of the rate of return. The more uncertainty there is about the rate of return on an investment instrument over some future period, the greater is the risk. Thus the uncertainty of the rate of return is a useful measure of risk. The amount of risk a fund has taken can be quantified by calculating the rate of return of the fund or its components, finding the average rate of return for any given period and measuring the variability of the return around the average. The biggest limitation to this measurement is that it can only be done retroactively; that is, until the rate of return is known, the variability of that return cannot be measured. The only assumption that can be made is that the future might be like the past and therefore to use past variabilities as a measure of future variabilities.

19. Figure 3 shows the risk return profile of the Fund compared with that of the benchmark and its two components, using average annual returns over the past 20 years.

Figure 3
Total Fund: risk return profile based on annualized returns March 1983-March 2002



20. As mentioned above, the degree of risk in any portfolio is usually associated with the degree of uncertainty about the return. Figure 3 shows for each point the average 20-year return for the Fund, total equities, total bonds and their respective benchmarks plotted against standard deviations of returns over the period. The rolling 20-year numbers give a very good picture of how the Fund has been performing over the longer term, which meets the objective of obtaining an optimal investment return that avoids undue risk.

Table 4
Risk return profile based on average annual returns, March 1983-March 2002
(Percentage)

	Risk	*20-year average return*
UNJSPF-Total Fund	**11.3**	**12.0**
Benchmark	13.9	12.7
UNJSPF-Equities Total	14.9	13.6
MSCI	17.7	14.0
UNJSPF-Bonds Total	12.0	11.0
SBWGBI	11.3	10.2

21. Figure 3 and table 4 indicate that when compared to the benchmark, the Fund has had a better risk return profile. The Fund's return of 12.0 per cent was slightly lower than the benchmark's return of 12.7 per cent, but the Fund's volatility, 11.3 per cent, was substantially less than that of the benchmark, 13.9 per cent. The Fund had a better risk return profile because it has a well-diversified portfolio that includes all major asset classes and its holdings are concentrated in blue chip companies.

22. Within asset classes, the Fund's equity portfolio slightly underperformed (13.6 per cent) versus the MSCI World Index (14.0 per cent), but the equity portfolio had a much better risk profile (14.9 per cent) compared to the MSCI World Index (17.7 per cent). The bond portfolio (11.0 per cent) outperformed the SBWGBI (10.2 per cent) but had slightly higher volatility (12.0 per cent) compared to the SBWGBI (11.3 per cent). This can be explained by the fact that the Fund had some exposure to non-government bonds, which are not part of SBWGBI.

IV. Diversification

23. As the markets were very volatile and the proportions allocated to the four asset classes also changed, the long-term asset allocation guidelines were adjusted during the biennium to give more flexibility and to reflect the fact that the allocation to short-term investments had remained above the long-term guidelines for an extended period. In February 2001, the long-term guideline for short-term investments was changed to 3-10 per cent from 3-5 per cent.

24. In addition to changing the proportions of the various asset classes in the portfolio, changes were made within asset classes to implement the Fund's investment strategy and to take advantage of new trends in economic cycles and financial markets as well as movements in currencies and interest rates. Over the biennium, the proportion of investments in United States dollars was increased to 56.6 per cent from 51.8 per cent, the proportion of investments in major European currencies was increased to 27.8 per cent from 27.6 per cent, and Japanese yen-denominated investments were reduced to 5.3 per cent from 11.0 per cent. The broad diversification of the Fund reduces risk across currencies and markets.

25. Diversification consists in the investment of assets among a variety of securities or among securities in a variety of markets, with the goal of reducing risk in a portfolio without reducing the expected return. The Fund's policy of broad diversification of its investments by currency, types of asset classes and geographical areas continued to be the most reliable method of reducing risk and improving returns over long periods of time. UNJSPF is unique among major pension funds in its commitment to global investment. The diversification of the assets of the Fund by types of investment for March 2000 and March 2002 were equities 69.4 and 57.1 per cent, bonds 21.1 and 27.9 per cent, real estate 3.6 and 5.5 per cent and short-term investments 6.0 and 9.7 per cent respectively. Geographical diversification for the same period was North America 48.9 and 49.4 per cent; Europe 31.8 and 34.4 per cent; Asia and the Pacific 15.2 and 10.2 per cent; emerging markets 1.7 and 1.6 per cent; and regional institutions 2.4 and 4.4 per cent. Currency diversification as at March 2002 was United States dollar 57 per cent, euro 20 per cent, pound sterling 6 per cent, Japanese yen 5 per cent, Swiss franc 2 per cent and others 10 per cent.

26. In terms of geographical diversification, the proportion of the Fund invested in North America was maintained at 49 per cent in the period from March 2000 to March 2002. Investments in Europe were increased to 34 per cent from 32 per cent, while in Asia and the Pacific, the proportion of investments declined to 10 per cent from 15 per cent during the same period. Table 5 provides detailed breakdowns of the diversification by geography.

Table 5

Total Fund: countries/areas of investment[a]

Market value as at 31 March 2002

(In millions of United States dollars)

Countries/areas	*Total*	*Percentage*
Australia	98.4	0.45
Austria	51.4	0.24
Belgium	107.4	0.49
Brazil	64.5	0.3
Canada	636.9	2.92
Chile	37.2	0.17
China	52.8	0.24
Denmark	287.8	1.32
Egypt	3.5	0.02
Emerging markets	34.8	0.16
Finland	169.2	0.78
France	1 036.9	4.76
Germany	1 445.4	6.63
Ghana	2.8	0.01
Greece	82.6	0.38
Hong Kong SAR	108.4	0.5
Hungary	43.6	0.2
Iceland	15.5	0.07
India	29.8	0.14
Ireland	178.1	0.82
Israel	24.7	0.11
Italy	380.4	1.75
Japan	1 219.6	5.6
Jordan	4.8	0.02
Kenya	0.2	0.00
Malaysia	27.2	0.12
Mauritius	0.0	0.00
Mexico	152.8	0.70
Netherlands	605.6	2.78
New Zealand	167.4	0.77

Countries/areas	*Total*	*Percentage*
Norway	275.9	1.27
Philippines	9.8	0.04
Poland	22.5	0.10
Portugal	73.9	0.34
Qatar	20.7	0.09
Republic of Korea	171.2	0.79
Saudi Arabia	7.8	0.04
Singapore	50.9	0.23
Slovenia	25.6	0.12
South Africa	22.0	0.10
Spain	366.0	1.68
Sweden	588.5	2.26
Switzerland	330.0	1.51
Taiwan Province of China	6.0	0.03
Tunisia	2.8	0.01
Turkey	0.0	0.00
United Kingdom	1 674.1	7.68
Zimbabwe	3.6	0.02
Regional institutions (Africa)	60.3	0.28
Regional institutions (Asia)	127.9	0.59
Regional institutions (Europe)	359.4	1.65
Regional institutions (Latin America)	61.1	0.28
International institutions	306.7	1.41
Total outside United States	**11 658.4**	**53.5**
United States	10 130.8	46.5
Total Fund	**21 789.3**	**100.0**

[a] Country of investment is generally based on the domicile of the issuer. Convertible securities are classified according to the currency into which they are convertible. Various investment trusts which trade in currencies other than the currency of investments are classified under the countries.

27. Diversification in terms of asset class, currency and region had a significant impact on the performance of the Fund. Investing in only one currency other than the United States dollar would have had a negative impact on the performance, as the movements of the currencies against the dollar are not synchronized. There were several times when the total returns were negative in local currencies but positive in dollar terms.

V. Investments in developing countries

28. In its resolution 36/119 of 10 December 1981 on the investments of the United Nations Joint Staff Pension Fund, the General Assembly endorsed the policy of diversification of the investments of the Fund in developing countries. Investments are made wherever it serves the interests of participants and beneficiaries. At the time of initial purchase, the investments should meet the four criteria of safety, profitability, liquidity and convertibility. The Fund continued its efforts, in accordance with established investment criteria, to identify appropriate investment opportunities. Direct and indirect investments in developing countries amounted to $1,320 million at cost as at 30 June 2002, an increase of 17.3 per cent from 30 June 2000. Details of the investments are provided in table 6. There were increased investments in Africa, Asia and Latin America. Development-related investments accounted for 7.4 per cent of the Fund's assets at book value. Approximately 42 per cent of these holdings were denominated in currencies other than the United States dollar.

29. IMS continued to have close contacts with the World Bank, the International Monetary Fund, regional development banks and other sources in order to take advantage of investment opportunities in developing countries during the biennium. Investment visits were undertaken in Africa, Asia, Eastern Europe and the Middle East during the period under review. The current investment environment is once again becoming more favourable for emerging market investments and the Fund is seeking to increase its exposure through suitable investment instruments while taking into account the investment criteria of the Fund.

Table 6
Development-related investment by book value as at 30 June 2000 and 30 June 2002
(in thousands of United States dollars)

	United States dollars	*Other currencies*	*Total 2000*	*Total 2002*
Africa				
Egypt	7 020		7020	7 020
Ghana	7 122		7 122	7 122
Kenya		219	219	219
Mauritius			3 000	0
South Africa	36 227	43 124	7 827	79 351
Tunisia	4 350		4 350	4 350
Zimbabwe		2 935	3 088	2 935
Regional funds	6 652		5 868	6 652
Subtotal	**61 371**	**46 278**	**38 494**	**107 649**
Development institutions	54 547		85 916	54 547
Total Africa	**115 918**	**46 278**	**124 410**	**162 196**

	United States dollars	*Other currencies*	*Total 2000*	*Total 2002*
Asia				
China	10 605	73 848	20 537	84 453
Hong Kong SAR	14 751	34 015	61 744	48 766
India	24 983		25 012	24 983
Jordan		4 359	5 391	4 359
Malaysia		27 057	40 038	27 057
Philippines		25 380	38 180	25 380
Qatar	20 680	0	11 000	20 680
Republic of Korea	37 529	99 255	127 960	136 784
Saudi Arabia	5 125	0	5 125	5 125
Singapore	15 171	23 791	55 254	38 962
Regional funds	69 895	20 589	56 457	90 484
Subtotal	**198 739**	**308 294**	**446 698**	**507 033**
Development institutions	19 750	0	19 751	19 750
Total Asia	**218 489**	**308 294**	**466 449**	**526 783**
Europe				
Cyprus		43 817	0	43 817
Turkey	0	0	4 435	0
Regional funds		65 637	40 068	65 637
Subtotal	**0**	**109 454**	**52 503**	**65 637**
Total Europe	**0**	**109 454**	**52 503**	**65 637**
Latin America				
Argentina	0	0	36 252	0
Brazil	18 334	48 428	105 944	66 762
Chile	40 769	0	27 251	40 769
Mexico	104 079	44 213	107 270	148 292
Peru	0	0	2 929	0
Regional funds	20 701	0	5 463	20 701
Subtotal	**183 883**	**92 641**	**285 108**	**276 524**
Development institutions	144 310	0	52 709	144 310
Total Latin America	**328 193**	**92 641**	**337 817**	**420 834**

	United States dollars	*Other currencies*	*Total 2000*	*Total 2002*
Other development institutions				
International Bank for Reconstruction and Development	101 808	0	143 757	101 808
Fiduciary Emerging Markets Bond Fund	12 151			12 151
Emerging Markets Investors Fund	30 359			30 359
Total other development institutions	144 318		143 757	144 318
Grand total	**806 918**	**556 667**	**1 124 938**	**1 319 768**

VI. Conclusion

30. The financial markets experienced the most volatile periods during the biennium. Major central banks initiated the most aggressive monetary policies in a decade. Initially there were fears of inflationary pressures developing due to overheating economic growth, especially in the United States.

31. While economies were struggling to register meaningful growth, the financial markets experienced the sharpest decline after reaching historically high levels. The fragile financial markets suffered a further setback after the events of 11 September 2001. Companies continued to report very poor earnings and sharp downward revisions of expected earnings. Investors, after experiencing large losses, became very sensitive to negative news, however small, so that even after some recovery seen in the final quarter of the biennium, the markets never really recovered to meaningful levels.

32. The Fund experienced its first negative return in 18 years during the first year of the biennium. The management adopted a more defensive asset allocation by reducing exposure to equities, increasing exposure to bonds and real estate, as well as substantially increasing exposure to short-term investments. Despite low yields on short-term investments due to declining interest rates, the move to increase short-term investments as a defensive move to protect the principal of the Fund was beneficial to the Fund because there were no better alternatives. Bonds had a difficult time providing meaningful capital gains during the period. Real estate, which performed well, offered limited investment opportunities. Increasing the asset class normally takes 12 to 18 months; hence the Fund could not increase the asset class as quickly as the other asset classes were moving.

33. After the end of the biennium, the economic and investment environment did not improve. The value of the Fund continued to decline, but remained relatively stable compared to the decline in the financial markets. This was due to the extent of diversification of the investments of the Fund. Such broad diversification is usually helpful in a volatile environment such as has been experienced by the Fund.

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Agenda item 113
Programme planning

Proposed revisions to the medium-term plan for the period 2002-2005

Programme 1
Political affairs

Note by the Secretary-General

1. In its review of the proposed revisions to the medium-term plan for the period 2002-2005, the Committee for Programme and Coordination, recommended, inter alia, that the Secretary-General provide further information on the applicability of regulation 4.13 and rule 104.8 of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation (ST/SGB/2000/8) with regard to the revisions to the list of legislative mandates relating to subprogramme 4, Decolonization, of programme 1, Political affairs.[1]

2. Regulation 4.13 states that "the medium-term plan shall be revised as necessary every two years to incorporate required programme changes ...". The related rule 104.8 provides that:

> "(a) Revisions to the medium-term plan are required, inter alia:
>
> "(i) When intergovernmental mandates adopted after the adoption of the plan call for new or substantially modified programmes and subprogrammes or any other revisions that should be properly identified;
>
> "(ii) When the programme mandates in the opinion of the Secretary-General have become obsolete;
>
> "(iii) When the Secretary-General deems it necessary to propose new activities at the subprogramme level not covered by existing legislative mandates.
>
> "(b) Substantive revisions shall be those which propose a change in the objective(s) or the strategy of the programme or subprogramme."

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3. Regulation 4.13 and rule 104.8 would appear to be applicable and relevant whenever proposals are made to the General Assembly for additions to and deletions from the programmes and subprogrammes contained in the medium-term plan. A proposal has been made to add to the list of legislative mandates in subprogramme 4, Decolonization, Assembly decision 56/410, entitled "Question of the Falkland Islands (Malvinas)". This is an additional intergovernmental mandate adopted after the adoption of the plan. Rule 104.8, paragraph (a) (i), refers to such situations by indicating revisions as being required when mandates "call for new or substantially modified programmes and subprogrammes or any other revisions that should be properly identified".

4. Member States may wish to take the above information into consideration when making a determination on issues outstanding with regard to revisions to subprogramme 4, Decolonization.

Notes

[1] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 16* (A/57/16), para. 73.

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Agenda items 12 and 112

Report of the Economic and Social Council

Programme budget for the biennium 2002-2003

Revised estimates resulting from resolutions and decisions adopted by the Economic and Social Council at its substantive session of 2002*

Report of the Secretary-General

Summary

The present report details budgetary requirements resulting from resolutions and decisions adopted by the Economic and Social Council at its substantive session of 2002. These relate to activities in the area of non-governmental organization matters, human rights and narcotic drugs. The expenditure requirements arising as a result of the resolutions and decisions are estimated at $1.8 million, of which $800,000 could be absorbed. The remaining $600,000 of requirements for appropriation would be subject to the procedures established by the General Assembly in its resolutions 41/213 of 19 December 1986 and 42/211 of 21 December 1987. Recommendations are made as to how the General Assembly may wish to manage these requirements in the context of the consolidated statement of revised estimates and statements of programme budget implications.

* The delayed submission is due to the need to consult on the possibilities for absorption of costs.

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I. Introduction

1. At its substantive session of 2002, the Economic and Social Council adopted a number of resolutions and decisions in which it authorized relevant functional commissions, standing committees or expert bodies to undertake additional activities, including meetings, in excess of those initially proposed in the programme budget for 2002-2003.[1] In accordance with rule 31 of its rules of procedure, the Council was provided, where appropriate, with statements of programme budget implications prior to the adoption of those resolutions and decisions. The additional requirements entailed by the Council resolutions and decisions are described below.

2. With regard to additional conference-servicing requirements, in each relevant case, the Council was informed of the full cost of the additional services to be provided and that provisions had not been made in the proposed programme budget for the biennium 2002-2003. In the light of the experience in 2000-2001, when substantial conference services overexpenditures were incurred, the Council was informed that, if any meeting could not be held on dates that the Department of General Assembly and Conference Management could not service without additional costs, it would not be possible to absorb the related conference servicing costs and those requirements would need to be met through additional appropriations by the General Assembly.

3. In its report on the revised estimates resulting from resolutions and decisions adopted by the Economic and Social Council at its substantive session of 1999 (A/54/7/Add.2), the Advisory Committee on Administrative and Budgetary Questions requested that future reports on the subject contain full cost estimates, including both conference and non-conference costs, of additional requirements. In response to that request, the additional requirements resulting from the resolutions and decisions adopted by the Council in 2002 to be financed from the existing provisions of the programme budget for the biennium 2002-2003 are provided in annex I to the present report.

II. Additional requirements entailed by resolutions and decisions adopted by the Council

A. Decision 2002/224
Resumed 2002 session of the Committee on Non-Governmental Organizations

4. Under the terms of decision 2002/224 of 22 July 2002, the Economic and Social Council decided to authorize the Committee on Non-Governmental Organizations to hold a resumed session for a period of two weeks and three days, from 8 to 24 January 2003, in order to complete the work of its 2002 session.

5. The Committee on Non-Governmental Organizations was informed that the adoption of that decision would entail additional resource requirements of $414,200 under section 2, General Assembly affairs and conference services, and $19,100 under section 27D, Office of Central Support Services, of the programme budget for the biennium 2002-2003. The Committee was also informed that those requirements

could not be met from existing resources and would need to be met through an additional appropriation. A further review of the implications of decision 2002/224 carried out by the Secretariat recently has concluded that the additional requirements can be met from existing resources. Therefore, no additional appropriation is required.

B. Decision 2002/257
Effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights

6. Under the terms of decision 2002/257 of 25 July 2002, the Economic and Social Council authorized the open-ended working group established to elaborate policy guidelines on structural adjustment programmes and economic, social and cultural rights, to meet for two weeks well in advance of, and at least four weeks prior to, the fifty-ninth session of the Commission on Human Rights with a mandate to: (a) continue working on the elaboration of basic policy guidelines on structural adjustment programmes and economic, social and cultural rights which could serve as a basis for a continued dialogue between human rights bodies and international financial institutions, and (b) report to the Commission at its fifty-ninth session.

7. The Council was informed that the adoption of decision 2002/257 would entail additional resource requirements of $267,400 under section 2, General Assembly affairs and conference services, and $3,600 under section 27E, Administration, Geneva, of the programme budget for the biennium 2002-2003. The Council was also informed that those requirements could not be met from existing resources and that they would need to be met through an additional appropriation. A further review of the implications of decision 2002/257 carried out by the Secretariat recently has concluded that the additional requirements cannot be met from existing resources.

C. Decision 2002/270
Racism, racial discrimination, xenophobia and related intolerance

8. In its decision 2002/270, the Economic and Social Council took note of Commission on Human Rights resolution 2002/68 of 25 April 2002, and approved the decision of the Commission:

(a) To establish an intergovernmental working group, with the following mandate:

(i) To make recommendations with a view to the effective implementation of the Durban Declaration and Programme of Action adopted in September 2001 by the World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance;[2]

(ii) To prepare complementary international standards to strengthen and update international instruments against racism, racial discrimination, xenophobia and related intolerance in all their aspects;

(b) To establish a working group of five independent experts on people of African descent, appointed on the basis of equitable geographical representation by

the Chairman of the fifty-eighth session of the Commission, in consultation with regional groups, to meet for two sessions of five working days each prior to the fifty-ninth session of the Commission, in closed and public meetings, with a mandate:

(i) To study the problems of racial discrimination faced by people of African descent living in the Diaspora and to this end gather all relevant information from Governments, non-governmental organizations and other relevant sources, including through holding public meetings with them;

(ii) To propose measures to ensure full and effective access to the justice system by people of African descent;

(iii) To submit recommendations on the design, implementation and enforcement of effective measures to eliminate racial profiling of people of African descent;

(iv) To elaborate short-, medium- and long-term proposals for the elimination of racial discrimination against people of African descent, including proposals for a mechanism to monitor and promote all their human rights, bearing in mind the need for close collaboration with international and development institutions and the specialized agencies of the United Nations system to promote the human rights of people of African descent, inter alia through:

a. Improving the human rights situation of people of African descent by devoting special attention to their needs, inter alia, through the preparation of specific programmes of action;

b. Designing special projects, in collaboration with people of African descent, to support their initiatives at the community level and to facilitate the exchange of information and technical know-how between these populations and experts in these areas;

c. Developing programmes intended for people of African descent allocating additional investments to health systems, education, housing, electricity, drinking water and environmental control measures and promoting equal opportunities in employment, as well as other affirmative or positive action initiatives, within the human rights framework;

(c) To request the Working Group of Experts on People of African Descent to submit a report to the Commission at its fifty-ninth session;

...

(e) To keep the mandate of the independent eminent experts under constant review;

(f) To request the Secretary-General to establish and administer, in accordance with the Financial Regulations and Rules of the United Nations, a voluntary fund to provide additional resources for:

(i) The effective implementation of the Durban Declaration and Programme of Action, in particular in developing countries;

(ii) The participation of people of African descent, representatives of developing countries, especially the least developed countries, non-

governmental organizations and experts in the open-ended sessions of the Working Group of Experts on People of African Descent;

(iii) The activities of the Committee on the Elimination of Racial Discrimination;

(iv) National, regional and international activities to counter racism, racial discrimination, xenophobia and related intolerance, including the holding of seminars;

(v) The anti-racial discrimination activities of the Anti-Discrimination Unit of the Office of the High Commissioner;

...

9. The Council was provided with a statement of programme budget implications (E/2002/L.6/Add.1). A summary of those implications appears below.

10. The establishment of the Working Group of five Independent Experts on People of African Descent would require provisions for the travel and subsistence of the experts in the amount of $51,500 for the two sessions. Although the Council was informed that that amount would need to be provided through an additional appropriation, upon further review of actual expenditures as of 1 September 2002, it is now anticipated that the Office of the High Commissioner for Human Rights will be in a position to absorb those costs.

11. Additional conference-servicing resources in the total amount of $667,100 to hold the meetings of the two working groups prior to the fifty-ninth session of the Commission on Human Rights would be required as follows:

Intergovernmental Working Group

	United States dollars
Section 2, General Assembly affairs and conference services	256 100
Section 27E, Administration, Geneva	5 400
Total	**261 500**

Working Group of five Independent Experts on People of African Descent

	United States dollars
Section 2, General Assembly affairs and conference services	397 600
Section 27E, Administration, Geneva	8 000
Total	**405 600**

12. Upon further review of the resources available for conference and meeting services for the biennium 2002-2003, it has been determined that, given the specific dates involved, these conference servicing requirements can be met within resources approved for the biennium 2002-2003 if the working groups meet on the following dates:

	Available dates
Intergovernmental Working Group	2-13 December 2002
Working Group of five Independent Experts	28 October to 1 November 2002
	3 to 7 February 2003

13. The Office of the High Commissioner has verified that the working groups will meet on these dates. Under these conditions, no additional appropriation would be required to convene these meetings before the fifty-ninth session of the Commission on Human Rights.

D. Decision 2002/281
Organization of the work of the fifty-ninth session of the Commission on Human Rights

14. Under the terms of decision 2002/281 of 25 July 2002, the Economic and Social Council authorized 14 fully serviced additional meetings, including summary records, in accordance with rules 29 and 31 of the rules of procedures of the functional commissions of the Council, for the Commission's fifty-ninth session, and approved the Commission's decision to request the Chairperson of the fifty-ninth session of the Commission to make every effort to organize the work of the session within the time normally allotted, so that the additional meetings that the Council authorized would be utilized only if they proved to be absolutely necessary.

15. The Economic and Social Council was informed that the additional resource requirements entailed by that decision included $267,800 under section 2, General Assembly affairs and conference services, and $16,400 under section 27E, Administration, Geneva, of the programme budget for the biennium 2002-2003, and that those requirements needed to be provided through an additional appropriation. A review carried out recently by the Secretariat has concluded that it will not be possible to meet those additional requirements without an additional appropriation.

E. Decision 2002/285
Second session of the Permanent Forum on Indigenous Issues

16. By its decision 2002/285 of 25 July 2002, the Council decided that the second annual session of the Permanent Forum on Indigenous Issues would be held at United Nations Headquarters in New York from 12 to 23 May 2003.

17. As the General Assembly has approved resources for the second annual session of the Forum to be held in Geneva, the decision of the Council to authorize the holding of that session in New York entails additional requirements related to the differential costs of meetings, daily subsistence allowance and travel between New York and Geneva. These additional resource requirements include $44,700 under section 22, Human rights, and $107,300 under section 2, General Assembly affairs and conference services.

18. The Council was informed that it was not anticipated that these additional costs could be absorbed from within the resources approved by the General Assembly for the biennium 2002-2003 (see E/2002/L.33). Upon review of the

approved calendar of conferences and meetings for the biennium 2002-2003, it has been determined that the conference-servicing costs related to the holding of the second session of the Forum in New York from 12 to 23 May 2003 can be absorbed using existing resources.

III. Overall requirements

19. As shown in annexes I and II, the implications of Economic and Social Council resolutions and decisions adopted at its substantive session of 2002 would give rise to expenditures of $1,866,300, of which $1,266,400 can be absorbed, leaving a requirement for appropriation as follows:

Section 2	535 200
22	44 700
27E	20 000
Total	**599 900**

Annex II provides a tabulation of these requirements by decision.

IV. The contingency fund

20. It will be recalled that, under the procedures established by the General Assembly in its resolutions 41/213 of 19 December 1986 and 42/211 of 21 December 1987, a contingency fund is established for each biennium to accommodate additional expenditures derived from legislative mandates not provided for in the programme budget. Under the procedure in paragraph 9 of annex I to Assembly resolution 41/213, if additional expenditures are proposed that exceed the resources available from the contingency fund, the activities concerned would be able to be implemented only through the redeployment of resources from low-priority areas or modification of existing activities. Otherwise, such additional activities would have to be deferred to a later biennium.

21. It is not possible at this stage to identify activities within sections 2, 22, and 27E of the programme budget for the biennium 2002-2003 that could be terminated, deferred, curtailed or modified during the biennium.

22. Consequently, a net additional provision of $599,900 will be required over and above the resources in the programme budget for the biennium 2002-2003. This provision would represent a charge against the contingency fund and, as such, would require increases in appropriations for the biennium 2002-2003 as detailed in paragraph 19 above.

23. Under the procedures for the operation of the contingency fund outlined in part C of the annex to General Assembly resolution 42/211, the present statement of revised estimates should contain a precise indication of how the alternatives would be applied as regards either redeployment of resources from low priority areas or modification of existing activities or deferral to a later biennium. As the Economic and Social Council is a Charter organ, it would not appear to be within the authority of the General Assembly to modify adopted decisions of the Council so as to defer

their implementation to the biennium 2004-2005. It may be considered appropriate, however, to invite the Council to review its decision E/2002/281 regarding the work of the fifty-ninth session of the Commission on Human Rights. In any event, it may be observed that the related meeting servicing costs of $284,200 are contingent in nature and may not be required should the Commission find that it does not need to avail itself of the possible addition of 14 meetings to its regular schedule.

24. As regards the possible termination, curtailment or modification of other activities, it may also be observed that over 90 per cent of the required appropriations to implement Economic and Social Council decisions relate to meeting services. As the actual availability of meeting servicing resources inevitably involves a degree of uncertainty in view of the changes that frequently occur in meeting schedules, the impact of servicing the additional meetings authorized by the Council will only be known towards the end of 2003.

V. Recommendation

25. **The General Assembly may wish, in the context of its review of the consolidated requirements chargeable to the contingency fund, to recommend action by the General Assembly along the following lines:**

(a) **Approve the provision of $44,700 in additional appropriations under section 22 as a charge against the contingency fund for financing activities in respect of Economic and Social Council decision 2002/285;**

(b) **Invite the Economic and Social Council to review its decision 2002/281 with a view to ensuring that additional meetings of the Commission on Human Rights are not required in connection with its fifty-ninth session;**

(c) **Request the Secretary-General to provide such conference services as might be required consequent to Economic and Social Council decisions 2002/257 and 2002/281, as reviewed, and to report to the General Assembly at its fifty-eighth session on the related expenditures in the context of the second performance report on the programme budget for the biennium 2002-2003.**

Notes

[1] *Official Records of the General Assembly, Fifty-sixth Session, Supplement No. 6* (A/56/6/Add.2).

[2] See A/CONF.189/12, chap. I.

Annex I

Cost estimates of additional activities to be financed from within the existing provisions of the programme budget for the biennium 2002-2003[a]

Economic and Social Council resolutions and decisions		*Budget section*	*Additional requirements (in United States dollars)*				
			Substantive	*General Assembly affairs and conference services (sect. 2)*	*Office of Central Support Services (sect. 27D)*	*Administration, Geneva (sect. 27E)*	*Total*
Resolution							
2002/65	Human rights and indigenous issues	22	7 200				
Decisions							
2002/240	Report of the Commission on Narcotic Drugs on its forty-fifth session and provisional agenda and documentation for the forty-sixth session of the Commission	15					
2002/224	Resumed 2002 session of the Committee on Non-Governmental Organizations			414 200	19 100		
2002/270	Racism, racial discrimination, xenophobia and related intolerance	22	51 500	653 700		13 400	
2002/285	Second session of the Permanent Forum on Indigenous Issues	22		107 300			
Total			**58 700**	**1 175 200**	**19 100**	**13 400**	**1 266 400**

[a] The estimates of the cost of the additional activities requested by the Commission on Human Rights relating to perennial activities will be financed from the existing provisions; therefore, such costs are not included in this table.

[b] Conference servicing for the intersessional meetings would be held at Vienna on an as available basis and would not entail additional costs.

Annex II

Summary of Economic and Social Council decisions requiring appropriation

Decision No.		*Section 22, Human rights (i)*	*Section 2, General Assembly affairs and conference services (ii)*	*Section 27E, Administration, Geneva (iii)*	*Total sections (iv)*
E/2002/257	Effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights		267 400	3 600	271 000
E/2002/281	Organization of the work of the fifty-ninth session of the Commission on Human Rights		267 800	16 400	284 200
E/2002/285	Second session of the Permanent Forum on Indigenous Issues	44 700			44 700
	Appropriation required	**44 700**	**535 200**	**20 000**	**599 900**

United Nations A/C.5/57/14

General Assembly

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Fifty-seventh session
Fifth Committee
Agenda item 112
Programme budget for the biennium 2002-2003

Experience in applying the revised administrative arrangements approved by the General Assembly for the International Trade Centre (United Nations Conference on Trade and Development/World Trade Organization) in its decision 53/411 B

Report of the Secretary-General*

Summary

The Advisory Committee on Administrative and Budgetary Questions, in its report to the General Assembly on the proposed programme budget outline for the biennium 2002-2003 for the International Trade Centre (UNCTAD/WTO) (A/55/797), requested that information be provided on experience in applying the revised administrative arrangements between the United Nations and the World Trade Organization, as set out by the General Assembly in its decision 53/411 B (A/55/7/Add.10, para. 6.) The new arrangements concerned the formulation and approval process of the Centre's budget by its two parent organizations.

The present report describes the way in which the new arrangements were implemented in the context of the preparation of the programme budget for the biennium 2002-2003.

* The delayed submission is attributed to the consultations required with the International Trade Centre to finalize this report.

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The report concludes that the application of the new arrangements has resulted in an additional workload for the secretariats of the International Trade Centre, the United Nations and the World Trade Organization, given the need by the governing bodies of the two organizations to continue to review the budget proposals for the Centre in accordance with their respective budget cycle and in a format specific to each organization. The report recommends that the secretariats of the two parent organizations submit joint proposals to their respective legislative bodies on ways to streamline the number of budget documents produced and to simplify the budgetary approval process for the Centre to the maximum extent possible.

I. Introduction

1. In the course of the review of the programme budget outline for 2002-2003 for the International Trade Centre (ITC) (A/55/797), the Advisory Committee on Administrative and Budgetary Questions, in its report to the General Assembly, requested that information be provided on experience in applying the revised administrative arrangements between the United Nations and the World Trade Organization (WTO), as set out by the General Assembly in its decision 53/411 B of 18 December 1998 (A/55/7/Add.10). That request was endorsed by the Assembly in its decision 55/483 of 14 June 2001. The present report aims to respond to the request.

II. Budgetary arrangements

2. The United Nations and WTO contribute jointly and equally to the financing of the regular budget of ITC. ITC is a section of the United Nations biennial programme budget and also a section of the WTO annual regular budget. As such, ITC is subject to the different budgetary cycle and review process of each parent organization.

3. Since the creation of ITC as a joint body of the United Nations Conference on Trade and Development (UNCTAD) and the General Agreement on Tariffs and Trade (GATT) in 1968 and until 1995, GATT relied upon the General Assembly's scrutiny of and decisions on the ITC budget estimates and its budget performance reports, and accepted its share of the ITC budget and expenditures on the basis of the decisions of the Assembly. Over that period, GATT periodically experienced difficulties in its review and approval of the ITC budget, owing to the unsynchronized budget cycles of GATT and the United Nations and differences in the budgetary processes and methodology used, including the application of different exchange rates and different statistical data on inflation.

4. Further to the creation of WTO, and within the framework of the review of its relationships with the United Nations, the General Council of WTO in 1995 requested the WTO secretariat to negotiate with the United Nations Secretariat revised budgetary arrangements with regard to ITC.

5. The General Council of WTO determined that the control function on ITC budgetary procedures exercised by GATT at one time in the past, should be restored and assumed by WTO along the following lines:

> "The ITC budget will be subject to the same preparation and reporting procedures as the GATT/WTO budget itself.
>
> "It will cover a calendar year period and will be presented in Swiss francs, the currency in which the bulk of expenditures is made.
>
> "It will be formulated by the ITC secretariat using exchange rates and inflation factors to be decided jointly between the ITC and GATT/WTO secretariats in consultation with the United Nations."[1]

6. Subsequent to the request by the General Council of WTO, various scenarios concerning these arrangements were discussed and reviewed between the two organizations in the course of 1995 and 1996. Further to these consultations, the

Advisory Committee on Administrative and Budgetary Questions suggested simplified arrangements which, in its view, both responded to the concerns expressed by the General Council of WTO in 1995 and enabled the United Nations to retain its role in the financial administration of the Centre (see A/53/7/Add.3). These arrangements were endorsed by the Joint Advisory Group of ITC, and subsequently approved by the General Assembly (decision 53/411 B) and the General Council of WTO (see WT/BFA/43, and WT/GC/28, para. 30).

III. Budgetary process for the biennium 2002/2003

7. The new arrangements became effective for the biennium 2000-2001. In order to illustrate the new process and how the arrangements have been implemented, the table below describes in detail the steps followed for the preparation of the programme budget for the biennium 2002-2003.

Steps/ actions	*Approved procedure*	*United Nations implementation in 2001*	*WTO implementation in 2001*
1.	In May of the year preceding the United Nations financial period, ITC would submit to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, its budget outline for the first year of activities for the coming biennium with a projection of requirements for the second year. The annualized requirements would be presented in Swiss francs (A/53/7/Add.3, para. 11 (a)). An initial fascicle of the United Nations proposed programme budget based on that outline would be presented to the General Assembly in United States dollars as part of the overall submission of the proposed programme budget (A/53/7/Add.3, para. 11(a)).	Owing to the need for the United Nations to present a consolidated budget for the United Nations Secretariat in March of the year preceding the United Nations financial period, ITC had to submit to the United Nations Secretariat, by the end of January 2001, its proposed budget level for the biennium 2002-2003. This submission was presented to the Committee for Programme and Coordination, the Advisory Committee on Administrative and Budgetary Questions and the General Assembly in two documents: (a) A simplified fascicle for the ITC section containing preliminary estimates of the United Nations share for the biennium in United States dollars and an indication of the Swiss franc equivalent (A/56/6 (Section 11 B)). This fascicle was reviewed by the Committee for Programme and Coordination in June 2001; (b) An ITC budget outline in Swiss francs showing the	As a consequence of the requirements of the United Nations, an outline (ITC/BUD/38) was submitted in January. This first submission was aimed at meeting the request of WTO members to be informed in advance of the proposed course of action with the United Nations and to have an opportunity to comment on it. The WTO Committee on Budget, Finance and Administration took note of the outline.

Steps/actions	Approved procedure	United Nations implementation in 2001	WTO implementation in 2001
		annual contribution of each organization (A/55/797). In May 2001, the Advisory Committee on Administrative and Budgetary Questions considered the outline (A/55/7/Add.10).	
2.	On the basis of the recommendations of the Advisory Committee, the General Assembly in the spring of that year, would approve in Swiss francs the level of the ITC outline for the biennial period concerned (A/53/7/Add.3, para. 11 (a)).	In June 2001, the General Assembly took note of the outline (decision 55/483) and concurred with the observations and recommendations of the Advisory Committee on Administrative and Budgetary Questions.	
3.	Simultaneously, ITC would submit its outline in Swiss francs to the WTO Committee on Budget and Finance for its approval (A/53/7/Add.3, para.11 (b)).		This second submission to WTO (ITC/BUD/39), was identical to that submitted in January. The WTO Committee on Budget and Finance took note of the outline (see WT/BFA/53).
4.	Taking into account the legislative decisions of the United Nations and WTO, ITC would submit its proposed programme budget to the General Assembly and to the General Council of WTO in the autumn of the year preceding the United Nations financial period. The submission to the General Assembly would be in the form of a revised fascicle of the programme budget of the United Nations in the autumn of the year preceding the United Nations financial period (A/53/7/Add.3, para. 11 (c)).	Given the different requirements and different formats of the budget documents of the two parent organizations, ITC submitted in 2001 its budget in Swiss francs in two separate documents and different formats, one to WTO (ITC/BUD/40) and one to the United Nations (A/56/6/Add.1 (Section 11 B)), with identical total figures for the biennium. While the fascicle submitted to the United Nations was for the entire 2002-2003 biennium, the document submitted to WTO contained the detailed figures for 2002 with estimated expenditures for 2003. In 2002, ITC will submit another budget to WTO for 2003.	
5.	The proposed programme of work of ITC would be reviewed by the intergovernmental bodies concerned (A/53/7/Add.3, para. 11 (d)).	The ITC programme of work and budget was reviewed by the Advisory Committee on Administrative and Budgetary Questions (A/56/7/Add.3) and the Fifth Committee in	The ITC budget was reviewed and approved by the WTO Committee on Budget and Finance as part of the WTO budget for 2002.

Steps/ actions	Approved procedure	United Nations implementation in 2001	WTO implementation in 2001
		December 2001 and approved by the General Assembly as part of the United Nations programme budget for 2002-2003.	
6.	ITC would continue to submit its annual budget proposal in Swiss francs to WTO, in accordance with the established procedures for submission and reporting of the WTO budget and taking into account the approved level of the United Nations share of the ITC budget.		In May 2002, ITC submitted a budget outline for 2003. This procedure is, however, not required by WTO and is likely to be suppressed in the future in the non-United Nations budget years. In the autumn of 2002, ITC will submit its fully fledged proposed budget for WTO for 2003 in accordance with the WTO format.

8. As shown in the table above, the process for the approval of the ITC component of the United Nations programme budget for the biennium 2002-2003 and of the annual budgets of WTO for 2002 and 2003 resulted in numerous documents having to be produced by ITC, and translated and distributed by the United Nations and WTO. In the course of the discussions held between 1995 and 1998, there was a general understanding that the need for ITC to prepare two separate budgets in two different formats should be avoided to the maximum extent possible. Experience has demonstrated, however, that the revised arrangements have not done away with the need for ITC to prepare two separate budget documents. An alternative arrangement, which could be considered for the future, might be based upon a single programme budget document to be prepared for both organizations, using in each case a short transmission document that highlights the specific funding requirements for each organization. The number of steps in the budgetary approval process also appears to be excessive.

9. The Board of Auditors, in a recent management letter, drew attention to this and pointed out that the submission of the present report would be an opportunity to reflect on such cumbersome duplication of procedures.

10. In its report on the ITC proposed programme budget for the biennium 2002-2003 (A/56/7/Add.3), the Advisory Committee on Administrative and Budgetary Questions noted that the proposed budget was presented in accordance with the procedure and administrative arrangements that it had outlined and recommended in paragraph 11 of its report A/53/7/Add.3, and had been endorsed by the General Assembly in its decision 53/411 B.

11. In reviewing the programme budget proposals for ITC, several delegations at meetings of the Committee for Programme and Coordination expressed their regret that, as a consequence of the above-mentioned arrangements, the detailed proposed programme budget for ITC would not be available until later in 2001. The Committee, however, did not reflect this concern in its conclusions and

recommendations. In meetings of the Fifth Committee, delegations expressed concern that the ITC proposed programme budget was submitted late. Subsequently, that concern was reflected in paragraph 11 of General Assembly resolution 56/253 of 24 December 2001, on questions relating to the proposed programme budget for the biennium 2002-2003, in which the Assembly noted with concern the late submission of section 11 B, International Trade Centre (UNCTAD/WTO), of the proposed programme budget for the biennium 2002-2003. The fact that the General Assembly only took note of the lateness of the submission but did not request that the submission be made available at an earlier date in the future, is perhaps a recognition that the circumstances of the two organizations concerned make the full synchronization of legislative processes an impossibility.

12. The revised administrative arrangements for ITC reflect the will of the governing bodies of both organizations to maintain their control and authority in respect of their share of resources assigned to ITC. In his report entitled "Strengthening of the United Nations: an agenda for further change" (A/57/387 and Corr.1), the Secretary-General stated that:

> "... the planning and budgeting cycle is fragmented, prone to duplication and burdened with excessive paperwork ... Member States and the Secretariat spend inordinate amount of time and scarce resources on this process."

13. The ongoing implementation of results-based budgeting in the United Nations Secretariat and the possible implementation of a similar system by WTO may lead to additional duplicative reporting requirements for ITC. If this were to be the case, ITC would necessarily have to divert resources from its operational activities in order to comply with the additional administrative processes if no changes to the current arrangements are introduced.

IV. Conclusion and recommendations

14. **The revised arrangements adopted in 1998 were implemented in accordance with the recommendations of the legislative bodies. Owing to the different requirements of each parent organization, these arrangements have resulted in an additional workload for ITC, the United Nations and WTO.**

15. **The General Assembly may wish to take note of the present report and to request the Secretary-General to initiate consultations with the WTO secretariat with a view to proceeding, in consultation with ITC, to a joint review of these arrangements and the submission to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, and to the General Council of WTO, of joint proposals for a possible reduction in the number of budgetary documents to be prepared and the simplification, to the maximum possible extent, of the current budgetary approval process for the ITC programme budget.**

Notes

[1] WT/BFA/2 L7626 of 31 March 1995, para. 1; also circulated as attachment III to A/C.5/52/45.

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General Assembly

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Fifty-seventh session
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Agenda item 126
Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Letter dated 17 October 2002 from the Acting President of the General Assembly addressed to the Chairman of the Fifth Committee

I have the honour to transmit to you herewith, for appropriate action by the Fifth Committee, a letter from the Secretary-General dated 14 October 2002 addressed to the President of the General Assembly, concerning the rates of assessment for Switzerland and Timor-Leste for the financing of peacekeeping operations (see annex).

(*Signed*) June Ivonne **Clarke**
Acting President

02-64641 (E) 171002

Annex to the letter dated 17 October 2002 from the Acting President of the General Assembly addressed to the Chairman of the Fifth Committee

I have the honour to refer to General Assembly resolution 55/235 of 23 December 2000 on the scale of assessments for the apportionment of the expenses of United Nations peacekeeping operations, by which the Assembly, inter alia, established 10 levels of contribution as the basis for establishing rates of assessment for its Member States for the financing of peacekeeping operations.

At its sixty-second session, the Committee on Contributions authorized its Chairman to bring to the attention of the General Assembly its conclusions concerning the rates of assessment for East Timor (Timor-Leste) and Switzerland prospectively in the event the Assembly took action to admit those States to membership in the United Nations. These observations and recommendations of the Committee on Contributions are included in paragraphs 101 to 106 of its report (A/57/11).

In light of General Assembly resolution 57/1 of 10 September 2002 on the admission of the Swiss Confederation to membership in the United Nations and resolution 57/3 of 27 September 2002 on the admission of the Democratic Republic of Timor-Leste to membership in the United Nations, the Assembly will need to consider the placement of these two new Member States under the system of levels established by its resolution 55/235 for the purpose of establishing their rates of assessment for peacekeeping operations.

In this connection, I have the honour to propose that this question be considered under item 126 of the agenda of the fifty-seventh session of the General Assembly, entitled "Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations".

(*Signed*) Kofi A. **Annan**

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Fifty-seventh session
Fifth Committee
Agenda item 120

United Nations Common System

Note by the Secretary-General

The Secretary-General has the honour to transmit herewith, for consideration by the General Assembly, a statement adopted by the High-Level Committee on Management at its fourth session (7-8 October 2002) on behalf of the United Nations System Chief Executives Board for Coordination (see annex).

02-64790 (E) 181002

Annex

Statement by the United Nations System Chief Executives Board for Coordination

The Executive Heads have repeatedly expressed concern over the lack of competitiveness, flexibility and responsiveness in the current pay and benefits system. They therefore welcome the proposals put forward by the International Civil Service Commission to reform that system. These proposals complement the management reforms being carried out in all United Nations system organizations. They also provide a much needed basis for the improvement of organizational performance. In particular, the Executive Heads consider the development of a more flexible job classification system and the creation of a senior management service to be among the most crucial elements of the Commission's reform proposals.

In this context, the Executive Heads reaffirm the importance they attach to updating the Noblemaire Principle, inter alia, to reflect, as they stated in 1994, the internationalization of the labour market. More than ever before, organizations are competing with a broad array of institutions for staff of the highest competence. It is imperative that this reality be reflected in the formula used to set pay in the United Nations system.

Concern for the competitiveness of United Nations conditions of employment has been expressed by the General Assembly and the governing bodies of other common system organizations on numerous occasions. For example, in section XII, paragraph 1 of its resolution 55/258 of 14 June 2001, the General Assembly endorsed the recommendation of the Advisory Committee on Administrative and Budgetary Questions that a competitive package of conditions of service is a prerequisite if the reform of human resources management is to succeed.

The General Assembly and the Executive Heads have repeatedly requested that the existing imbalances in the current margin at different grade levels be addressed, not least in order to recognize and strengthen managerial capacity. The Executive Heads therefore fully support the recommendation of the International Civil Service Commission to restore the margin to its desirable mid-point by granting a differentiated salary increase for the Professional and higher categories.

The General Assembly plays a key leadership role in the determination of conditions of service not only for the United Nations but for all 23 organizations of the common system. In endorsing the proposals of the International Civil Service Commission, the Assembly has the unique opportunity to set in motion the most fundamental management reforms since the inception of the United Nations. Not only will these reforms uphold the common system, but they will strengthen the international civil service and help reinvigorate organizations to meet the missions they have been entrusted with for the twenty-first century.

The case for these reforms is compelling: the dangers of not reforming the system far outweigh the challenges associated with implementing these initiatives. The Executive Heads call on the General Assembly to request the Commission to give the highest priority to completing its work in this area.

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Fifth Committee
Agenda item 113
Programme planning

Letter dated 15 October 2002 from the Chairman of the Sixth Committee addressed to the Chairman of the Fifth Committee

I would like to inform you that the Sixth Committee held an informal session on 10 October 2002 during which it considered the relevant parts of the report of the Committee for Programme and Coordination (A/57/16), as well as the report on in-depth evaluation of legal affairs (E/AC.51/2002/5) prepared by the Office of Internal Oversight Services. The Committee had a very useful and insightful exchange of views on several issues. It had the benefit of the presence of the Legal Counsel and of a representative of the Office of Internal Oversight Services who offered, as needed, clarifications and explanations.

The Sixth Committee took note with satisfaction of paragraph 289 of the report of the Committee for Programme and Coordination in which the Committee for Programme and Coordination recommended approval of recommendations 1 to 7, 9 and 11 to 20 of the in-depth evaluation.

(Signed) Arpad **Prandler**

02-65318 (E) 211002

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Fifty-seventh session
Fifth Committee
Agenda item 116
Pattern of conferences

Letter dated 18 October 2002 from the Chairman of the Sixth Committee addressed to the Chairman of the Fifth Committee

I refer to the report of the Committee on Conferences for 2002, contained in document A/57/32, and, in particular, to paragraph 79 thereof, wherein it is noted that the programmatic and financial consequences of the integration of the functions of the Fifth and Sixth Committee technical-servicing secretariats into the Department of General Assembly Affairs and Conference Services would be considered by the appropriate bodies of the General Assembly.

Kindly note that the Sixth Committee has requested the Secretariat to provide it with information as to the implications of the proposed integration. At this time, however, the Committee is still awaiting such explanation.

I am, therefore, requesting that the Fifth Committee postpone any decision on this matter, which appears under agenda item 116, until such time as the Sixth Committee has received the appropriate information from the Secretariat and has had the opportunity to consider it.

(*Signed*) Arpad **Prandler**
Chairman of the Sixth Committee of the fifty-seventh
session of the General Assembly

02-65306 (E) 211002

United Nations A/C.5/57/19

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Fifty-seventh session
Fifth Committee
Agenda item 113
Programme planning

New subprogramme on financing for development and revisions to relevant subprogrammes under programme 7, Economic and social affairs, of the medium-term plan for the period 2002-2005

Note by the Secretariat

1. The General Assembly, in its resolution 56/210 B of 9 July 2002, endorsed the Monterrey Consensus of the International Conference on Financing for Development,[1] and requested the Secretary-General to include in his report to the Assembly at its fifty-seventh session on the outcome of the Conference, measures taken as well as his proposals for ensuring effective secretariat support, in pursuance of paragraph 72 of the Monterrey Consensus.

2. In paragraphs 107 and 108 of its report on its forty-second session,[2] the Committee for Programme and Coordination recommended that: (a) following the endorsement of the Monterrey Consensus by the General Assembly, the Secretary-General should prepare a proposal for a new subprogramme on financing for development under programme 7, Economic and social affairs, of the medium-term plan for the period 2002-2005, for consideration by the Assembly at its fifty-seventh session; and (b) in accordance with the outcome of the World Summit on Sustainable Development,[3] the Secretary-General should submit revisions to relevant subprogrammes for the consideration of and action by the Assembly at its fifty-seventh session.

3. The report of the Secretary-General to the General Assembly on the outcome of the International Conference on Financing for Development (A/57/344) is currently under consideration by the Second Committee of the Assembly. The report presents highlights of the main outcome of the Conference. It also provides an account of key issues addressed in the 12 multi-stakeholder round-table meetings convened during the ministerial and summit segments of the Conference. Further, as requested by the Assembly in paragraph 5 of its resolution 56/210 B, the report proposes an approach for ensuring effective secretariat support, in pursuance of

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paragraph 72 of the Monterrey Consensus, building on the innovative and participatory modalities and related coordination arrangements utilized in the preparations for the Conference. The Second Committee is in the process of reviewing the report and has not yet reached a decision on the proposals contained therein. The outcome of the review of the report by the Second Committee will guide the organizational and programmatic arrangements that will be put in place for the follow-up to and implementation of the Monterrey Consensus. For this reason, it is recommended that revisions to the medium-term plan, as requested by the Committee for Programme and Coordination, be submitted after the Second Committee has taken action on the proposals contained in the report of the Secretary-General, relating to the arrangements for the follow-up to and implementation of the Monterrey Consensus.

4. As regards the recommendation of the Committee for Programme and Coordination relating to additional revisions to relevant subprogrammes of programme 7 of the medium-term plan so as to reflect the outcome of the World Summit on Sustainable Development, it is recalled that the Assembly is currently considering various options and modalities for the intergovernmental review of the follow-up to conferences, with a view to achieving better integration of these processes, in particular as they relate to the United Nations Millennium Declaration and the millennium development goals, as well as the follow-up to both the International Conference on Financing for Development and the World Summit on Sustainable Development. The conclusions that the Assembly will reach on this overall issue will have important implications for defining requirements for secretariat support and reporting and, therefore, for the tasks and structure of relevant units within the Secretariat.

5. Taking into account the reviews that the Assembly is currently undertaking in respect of the arrangements to be put in place for an effective follow-up to the implementation of the outcomes of the recent global conferences, in particular the Monterrey Consensus and the Plan of Implementation of the World Summit on Sustainable Development,[3] the Secretariat is recommending that proposals for revising the medium-term plan as requested by the Committee for Programme and Coordination be submitted at a subsequent stage so as to take into account the outcome of these reviews. Should the Assembly finalize the two reviews when it is too late for it to consider relevant proposals to revise the medium-term plan, it is recommended that the Assembly request the Secretary-General to put forward such relevant proposals in conjunction with his proposed programme budget for the biennium 2004-2005. Such a procedure would be in accordance with Regulation 5.2 of the Regulations and Rules Governing Programme Planning, the Programme Aspects of the Budget, the Monitoring of Implementation and the Methods of Evaluation, which states that the programme proposals set out in the budget should aim at achieving the objectives established in the medium-term plan, and that programme proposals that are not derived from the objectives of the plan should be submitted only as a result of legislation passed subsequent to the adoption of the plan or its latest revision. The Assembly may also wish to invite the Committee for Programme and Coordination, when it considers the proposed programme budget for the biennium 2004-2005 at its forty-third session, to pay particular attention to the proposals to be submitted by the Secretary-General in order to ensure that they reflect fully the decisions of the General Assembly.

Notes

[1] *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex.

[2] *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 16* (A/57/16).

[3] See *Report of the World Conference on Sustainable Development, Johannesburg, South Africa, 26 August-4 September 2002* (A/CONF.199/20), chap. I.

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Fifty-seventh session
Fifth Committee
Agenda item 113
Programme planning

Letter dated 31 October 2002 from the President of the General Assembly addressed to the Chairman of the Fifth Committee

I have the honour to transmit to you herewith, for appropriate action by the Fifth Committee, a letter dated 30 October 2002 from the President of the Economic and Social Council addressed to me (see annex I) concerning Economic and Social Council resolution 2002/39 of 25 October 2002, entitled "Proposed revisions to the medium-term plan of the Economic Commission for Africa for the period 2002-2005" (see annex II).

(*Signed*) Jan **Kavan**

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Annex I

Letter dated 30 October 2002 from the President of the Economic and Social Council addressed to the President of the General Assembly

I have the honour of writing to inform you that the Economic and Social Council met at a resumed substantive session on 25 October 2002 and adopted a draft resolution entitled "Proposed revisions to the medium-term plan of the Economic Commission for Africa for the period 2002-2005" (Council resolution 2002/39).

In this connection, I should be grateful if you could bring to the attention of the Fifth Committee, for appropriate action, the resolution which was adopted by the Council on 25 October 2002 (see annex II).

(*Signed*) Ivan **Šimonović**
President of the Economic and Social Council

Annex II

Economic and Social Council resolution 2002/39 of 25 October 2002

Proposed revisions to the medium-term plan of the Economic Commission for Africa for the period 2002-2005

The Economic and Social Council,

Recalling resolution MFC.1 of 5 May 2000, adopted by the Ministerial Follow-up Committee of the Conference of Ministers responsible for Economic and Social Development of the Economic Commission for Africa, by which the Committee endorsed the proposed medium-term plan of the Economic Commission for Africa for the period 2002-2005,

Having considered the proposals for changes to the medium-term plan as contained in the proposed revisions thereto,[1]

Aware that the Committee for Programme and Coordination, at its forty-second session from 10 June to 9 July 2002, has already considered the proposed revisions to the medium-term plan and offered its comments and observations on the revisions,

Taking into account important developments and events that have occurred since the Committee for Programme and Coordination considered the proposed revisions to the medium-term plan, in particular the proposals of the Secretary-General for further strengthening the United Nations, as contained in his report entitled "Strengthening of the United Nations: an agenda for further change",[2] the outcome of the World Summit on Sustainable Development held at Johannesburg, South Africa, from 26 August to 4 September 2002, the high-level plenary meeting of the General Assembly to consider how to support the New Partnership for Africa's Development[3] as the framework for system-wide support for African development, and Assembly resolution 57/2 of 16 September 2002, entitled "United Nations Declaration on the New Partnership for Africa's Development",

Bearing in mind that both the proposals of the Secretary-General and the Johannesburg Declaration on Sustainable Development adopted by the World Summit on Sustainable Development are currently before the General Assembly for its endorsement,

1. *Expresses* its appreciation to the Committee for Programme and Coordination for its comments and recommendations on the medium-term plan of the Economic Commission for Africa for the period 2002-2005, which have gone a long way towards improving the medium-term plan;

2. *Proposes* the following additional modifications to the medium-term plan in the light of the new developments that have occurred since the Committee for Programme and Coordination considered the plan:

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[1] E/ECA/CM.1/5.

[2] See A/57/387.

[3] A/57/304, annex.

1. Subprogramme 1: Facilitating economic and social policy analysis

(a) In view of the importance of financing in meeting the millennium development goals, the component on mobilizing finance for development which is currently under subprogramme 2, Promoting trade and mobilizing finance for development, should be brought under subprogramme 1 where the work of the Economic Commission for Africa on meeting the millennium development goal of poverty reduction will be addressed. The holistic treatment of the related issues of official development assistance, foreign direct investment, debt relief and capital flight will be critical in achieving coherence in financing for development and poverty reduction. Similarly, the special needs of African least developed, landlocked and small island developing countries should be brought under this subprogramme from subprogramme 2;

2. Subprogramme 2: Promoting trade and mobilizing finance for development

(b) The issues of trade and finance for which this subprogramme was responsible should be integrated into the subprogrammes on Promoting regional cooperation and integration and Facilitating economic and social policy analysis, respectively, in order to achieve greater coherence. Accordingly, the subprogramme on promoting trade and mobilizing finance for development will be discontinued;

3. Subprogramme 3: Enhancing food security and sustainable development

(c) The Conference appeals to the Committee for Programme and Coordination to reconsider its recommendation with respect to the change of name of this subprogramme. This subprogramme should be renamed. Fostering sustainable development, to ensure that the work of the subprogramme appropriately reflects the integrated nature of sustainable development that resulted from the World Summit on Sustainable Development, which adopted a political declaration to take account of the three critical dimensions of sustainable development, namely, economic development, social development, and environmental protection in development planning. In view of the new concept of sustainable development agreed to at the Summit, all survival issues including food security that impact on sustainable development should be regrouped under this subprogramme to ensure that these interrelated issues are treated within a holistic framework, while still maintaining a strong programmatic focus on food security in the subprogramme. Accordingly, activities related to water, mineral and energy resources development and other natural resource issues currently under subprogramme 6, Promoting regional cooperation and integration, will be brought under this subprogramme;

4. Subprogramme 4: Strengthening development management

(d) The orientation of this subprogramme should be changed slightly to reflect the role of the Economic Commission for Africa in support of the African Peer Review Mechanism of the New Partnership for Africa's Development. Accordingly, the following text will be added to the proposed revisions to the medium-term plan of the Economic Commission for Africa for the period 2002-2005[1] as a separate paragraph in the section on strategy, under this subprogramme: "The Economic Commission for Africa will continue to work closely with the Steering Committee and Secretariat of the New Partnership for Africa's Development in elaborating the peer review mechanism. In this context, the

analytical work of the Economic Commission for Africa and in-depth country studies on monitoring good governance may provide an objective appraisal mechanism to facilitate the assessment of the progress and performance of African Governments in adhering to mutually agreed codes and standards on good governance";

5. Subprogramme 6: Promoting regional cooperation and integration

(e) The component on promoting trade under subprogramme 2, Promoting trade and mobilizing finance for development, should be subsumed under this subprogramme because of the importance of intraregional trade in achieving regional economic integration. Thus, the work under the trade cluster of this subprogramme will focus on examining how trade can contribute to regional integration as a step towards effective integration into the world economy, seizing on the opportunities offered by the new multilateral trade framework established at Doha. This will require providing technical and other capacity-building support to African countries in trade negotiations, especially within the context of the new World Trade Organization agreements and other protocols such as the arrangements between the African, Caribbean and Pacific States and the European Union, established at Cotonou. To ensure that the subprogramme appropriately reflects the nature of the issues that it will be dealing with, it should be renamed: Promoting trade and regional integration;

3. *Requests* the Secretary-General to take into consideration these proposals in respect of the revisions to the medium-term plan of the Economic Commission for Africa for the period 2002-2005;

4. *Requests* the Executive Secretary of the Economic Commission for Africa to act on the revisions to the medium-term plan in the context of the decision of the General Assembly on the proposed changes thereto.